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April 13, 2016

Charter School Board  
Muncie Public Charter School of Inquiry, Inc.  
d/b/a Inspire Academy  
1620 S. Madison Street  
Muncie, IN 47302

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Donovan P.C., LLC, Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy, as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.**

**d/b/a**

**INSPIRE ACADEMY**

*Financial Statements*

*June 30, 2015 and 2014*



**DONOVAN**  
CPAs | ADVISORS

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Muncie Public Charter School of Inquiry, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy**, which comprise of statements of financial position as of June 30, 2015 and 2014, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Muncie Public Charter School of Inquiry, Inc.** as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Donovan P.C.*

Indianapolis, IN  
January 25, 2016

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
d/b/a  
INSPIRE ACADEMY

Statements of Financial Position

	June 30	
	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 164,435	127,628
Accounts receivable:		
Grants	13,836	1,334
Other	2,603	-
Prepaid expense	23,767	19,500
Total current assets	204,641	148,462
Property and equipment:		
Furniture and equipment	216,084	126,298
Less: accumulated depreciation	(81,167)	(32,011)
Property and equipment, net	134,917	94,287
	\$ 339,558	242,749
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 48,722	32,938
Refundable advances	-	5,040
Total current liabilities	48,722	37,978
Net assets:		
Unrestricted	282,891	142,703
Temporarily restricted	7,945	62,068
Total net assets	290,836	204,771
	\$ 339,558	242,749

See accompanying notes to financial statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Statements of Activities

	<u>Year Ended June 30, 2015</u>			<u>Year Ended June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>						
State education support	\$ 1,164,594	-	1,164,594	\$ 842,019	-	842,019
Grant revenue	434,458	-	434,458	370,088	250,000	620,088
Student fees	11,092	-	11,092	10,613	-	10,613
Contributions	10,700	-	10,700	9,215	-	9,215
Other income	6,250	-	6,250	3,107	-	3,107
Net assets released from restrictions	54,123	(54,123)	-	187,932	(187,932)	-
Total revenue and support	<u>1,681,217</u>	<u>(54,123)</u>	<u>1,627,094</u>	<u>1,422,974</u>	<u>62,068</u>	<u>1,485,042</u>
<u>Expenses</u>						
Program services	1,208,814	-	1,208,814	1,036,872	-	1,036,872
Management and general	332,215	-	332,215	230,908	-	230,908
Total expenses	<u>1,541,029</u>	<u>-</u>	<u>1,541,029</u>	<u>1,267,780</u>	<u>-</u>	<u>1,267,780</u>
Change in net assets	140,188	(54,123)	86,065	155,194	62,068	217,262
Net assets (deficiency), beginning of year	<u>142,703</u>	<u>62,068</u>	<u>204,771</u>	<u>(12,491)</u>	<u>-</u>	<u>(12,491)</u>
Net assets, end of year	<u>\$ 282,891</u>	<u>7,945</u>	<u>290,836</u>	<u>\$ 142,703</u>	<u>62,068</u>	<u>204,771</u>

See accompanying notes to financial statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

Statements of Cash Flows

	Year Ended June 30	
	2015	2014
<u>Operating Activities</u>		
Change in net assets	\$ 86,065	217,262
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	49,156	31,131
Change in:		
Accounts receivable	(15,105)	2,416
Prepaid expense	(4,267)	2,313
Accounts payable and accrued expenses	15,784	31,383
Refundable advances	(5,040)	5,040
Net cash provided by operating activities	<u>126,593</u>	<u>289,545</u>
<u>Investing Activities</u>		
Acquisition of property and equipment	(89,786)	(123,849)
Net cash used by investing activities	<u>(89,786)</u>	<u>(123,849)</u>
<u>Financing Activities</u>		
Repayments of note payable	-	(100,000)
Net cash used by financing activities	<u>-</u>	<u>(100,000)</u>
Net increase in cash	36,807	65,696
Cash, beginning of year	<u>127,628</u>	<u>61,932</u>
Cash, end of year	<u>\$ 164,435</u>	<u>127,628</u>
Supplemental disclosures:		
Cash payments for interest expense	\$ 93	2,650

See accompanying notes to financial statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
d/b/a  
INSPIRE ACADEMY

Notes to Financial Statements

June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

General

Muncie Public Charter School of Inquiry, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. In 2015, the School served students in grades kindergarten to sixth by providing an alternative to the traditional elementary school program.

Financial Statement Presentation

The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
d/b/a  
INSPIRE ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Taxes on Income

Muncie Public Charter School of Inquiry, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax exempt purpose. For the years ended June 30, 2015 and 2014, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2011 are open to audit for both federal and state purposes.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
d/b/a  
INSPIRE ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives range from three to five years,

Subsequent Events

The School evaluated subsequent events through January 25, 2016, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Leases

The School leases its facility and certain items of office equipment under operating leases. The facility lease requires monthly payments over a 5-year term based on a rate of \$10 per square foot of leased space (18,000 square feet as of June 30, 2015). Expense under these leases for the years ended June 30, 2015 and 2014 was \$180,000 and \$173,226, respectively. Future minimum obligations under non-cancellable operating leases are as follows:

Year Ending June 30:

2016 .....	\$180,000
2017 .....	180,000
2018 .....	180,000

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
d/b/a  
INSPIRE ACADEMY

Notes to Financial Statements

(3) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014, the School had refundable grant advances in excess of expenditures of \$5,040.

(4) Benefit Plans

The School offers retirement benefits provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2014 (the latest year reported), both TRF and PERF were more than 80% funded.

A copy of the complete annual report for the year ended June 30, 2014 can be obtained at:

[www.in.gov/inprs/files/2014INPRSCAFRBook\\_Web.pdf](http://www.in.gov/inprs/files/2014INPRSCAFRBook_Web.pdf)

In lieu of TRF or PERF, all employees are eligible to participate in a Section 403(b) defined contribution retirement plan sponsored by the School. Under this plan, the School contributed 7% of compensation as defined through October 31, 2014. Since that time, the School has opted to match employee contributions at a rate of 2.33 to 1, but not to exceed 7% of compensation. Additional contributions may also be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2015 or 2014.

Retirement plan expense under all plans was \$24,928 and \$11,487 for the years ended June 30, 2015 and 2014, respectively.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
d/b/a  
INSPIRE ACADEMY

Notes to Financial Statements

(5) Restrictions on Net Assets

Temporarily restricted net assets as of June 30, 2015 and 2014 totaling \$7,945 and \$62,068, respectively, relate to funds received from the Walton Family Foundation. The funds are to be used according to the approved budget for various program expenses. Grant related expenditures of \$54,123 and \$187,932 were incurred in 2015 and 2014, respectively, resulting in temporarily restricted net assets being released from restrictions.

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was \$20,469 and \$7,059 for the years ended June 30, 2015 and 2014, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

(7) Risks and Uncertainties

The School provides educational instruction services to families residing in Delaware and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
d/b/a  
INSPIRE ACADEMY

Notes to Financial Statements

(8) Functional Expense Reporting

The costs of providing educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2015 and 2014:

	2015	
	Program Services	Management and General
Salaries, wages and employee benefits ...	\$ 629,477	154,032
Professional services .....	93,679	112,885
Authorizer oversight fee .....	-	20,469
Staff development.....	72,475	-
Equipment .....	20,494	3,159
Classroom and office supplies.....	55,387	4,899
Connectivity .....	27,188	-
Occupancy .....	183,505	-
Food.....	73,757	-
Depreciation .....	49,156	-
Interest .....	-	93
Insurance .....	-	12,171
Other .....	3,696	24,507
	\$1,208,814	332,215

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.  
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Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	2014	
	Program Services	Management and General
Salaries, wages and employee benefits ...	\$ 498,050	102,423
Professional services .....	73,580	73,880
Authorizer oversight fee .....	-	7,059
Staff development.....	79,943	-
Equipment .....	12,270	973
Classroom and office supplies.....	83,058	11,199
Connectivity .....	27,291	-
Occupancy .....	175,281	-
Food.....	55,703	-
Depreciation .....	31,131	-
Interest .....	-	2,650
Insurance .....	-	13,572
Other .....	565	19,152
	<u>\$1,036,872</u>	<u>230,908</u>

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a

INSPIRE ACADEMY

DELAWARE COUNTY, INDIANA

Exit Conference

July 1, 2014 to June 30, 2015

The contents of this report were discussed on February 3, 2016 with Leslie Draper (School Leader), Paul Runyon (Director of Finance), Dr. Tom Schroeder (Board President) and Tracy Osborne (Board Treasurer).